EXHIBIT B

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VeriFone
(Bloomberg Ticker: PAY IT)

The stock's hammering makes this a far more interesting investment now. We're upgrading the stock to Buy.

In our previous update, we downgraded the company's shares to Underperform. The reasons included the extent of stock option grants to employees in addition to the sharp rise in accounts receivable and inventories. However, not for a minute did we think the inventory rise was particularly drastic, not to mention inflated.

The stock's 46% flameout in yesterday's NYSE-trade now makes the company an attractive investment prospect, despite all the risks entailed. **In consequence, we're upgrading the stock, to Buy, with a per-share price target of $31.**

Caution is nevertheless required. In the short run, the stock is likely to volatile. We're basing our recommendation on yesterday's conference call with management. Despite that which was stated, additional changes could be in the offing. Therefore, together with our positive outlook, we tag on a high-risk qualifier.

In practice, what happened? The company issued an SEC filing that stated it would take a write off of $30.2m associated with its Q3 inventory, and would lower its pre-tax profit by $29.2m for 2007's first nine months. The problem originated in the supply chain within the company—specifically, in the triangle between Singapore, Sacramento, and Tel Aviv, following the acquisition of Lipman Electronic Engineering (a subject we plan to elaborate on in a future update).

Positives (though everything is relative)

1. **Revenues.** The company indicated Q4 sales would come in at a record $238m, which was higher than our forecast and analyst consensus projections, which stood at $233.5m.
2. **Price target.** We're basing our target on the assumption of top-line 2008 growth of only 10% and EBITDA coming in no different from the level attained in 2006. We're pricing the stock at 14 times expected 2008 EBITDA.
3. **Metrics.** VeriFone trades at only 11.4 times 2008 EV/EBITDA, and 2.3 time 2007 sales—an especially low figure for a high growth company with hefty operating margins.
4. **The company's business strategy remains unchanged.** VeriFone's operations have undergone no alteration, and its growth engines are still firing on all cylinders. It would seem the company's problems center not on its relations with customers but its accounting and legal issues vis-à-vis the financial markets, stemming from a distorted presentation of its operations.
5. **Cash flow for 2007.** Management has left its 9-month trailing cash flow numbers unchanged.

Negatives

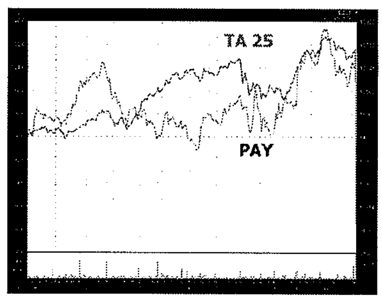
1. **Class action suits are now just a matter of time.** Management has been exercising stock options for quite some time, and even though this may have been part of a predetermined sales program, investors are unlikely to be amused.
2. **Release of Q4 results to be delayed.** Additional complications are liable to push out the release date even farther. Nor is it obvious the current management will be around to release them.
3. **We're lowering our margin expectations.** The company, in practice, has generated operating margins identical to those reached in 2006, unable to leverage them up despite top-line growth. This stands in contradiction to our earlier assumptions.
4. **Remember Lipman!** By this we mean to say that one earnings warning could easily imply a second is on the way.
5. **A number of problematic issues remain unresolved.** Seeing that the company's internal checks were only conducted over a matter of days, other issues may pop up upon further examination. The company's tax rate, for example, is still a matter of conjecture.

Update

- ☑ **Rating**
- ☑ **Price target**
- ☑ **Forecast**

Key figures

Rating	**BUY**
Price target ($)	**31.0**
Current price ($)	**25.7**
Gap current price	20.6%
Share Yield (52 weeks)	30%
TA 25 Yield (52 weeks)	-30%
12-mo. high ($)	50.0
12-mo. low ($)	25.7
Daily volume (NIS m')	14.7
Free float	73.9%
EV/EBITDA 07E	12.5
EV/EBITDA 08E	11.4
Previous rating	Underperform
Previous Price target ($)	42.0
Financial Year End	October



Verifone
NYSE

Market cap	2,095	m' $		**Market cap**	8,066.1ILS
Debt	(341.4)	m' $			3.8497 $
EV	2,436.68	m' $			

	2007	2008	Comment
Revenues	903.8	994.2	We take a conservative estimate that revenues will grow 10% in 2008
EBITDA	194.3	213.7	We estimate EBITDA margins will remain at 2006 levels, excluding operating leverage.
EV/EBITDA	12.5	11.4	
CAPEX	34.8	23.0	Expected decline in capex reflects ending payments for Oracle systems.
Tax	31.1	33.4	Tax rate visibility still unclear.
EV/FCF	19.0	15.5	Estimate does not account for changes in working capital

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Warning notes and full disclosure concerning this analysis

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b. Full disclosure by the author of this analysis

As far as he is aware, the author of this analysis does not have any conflict of interest at the time of its publication.

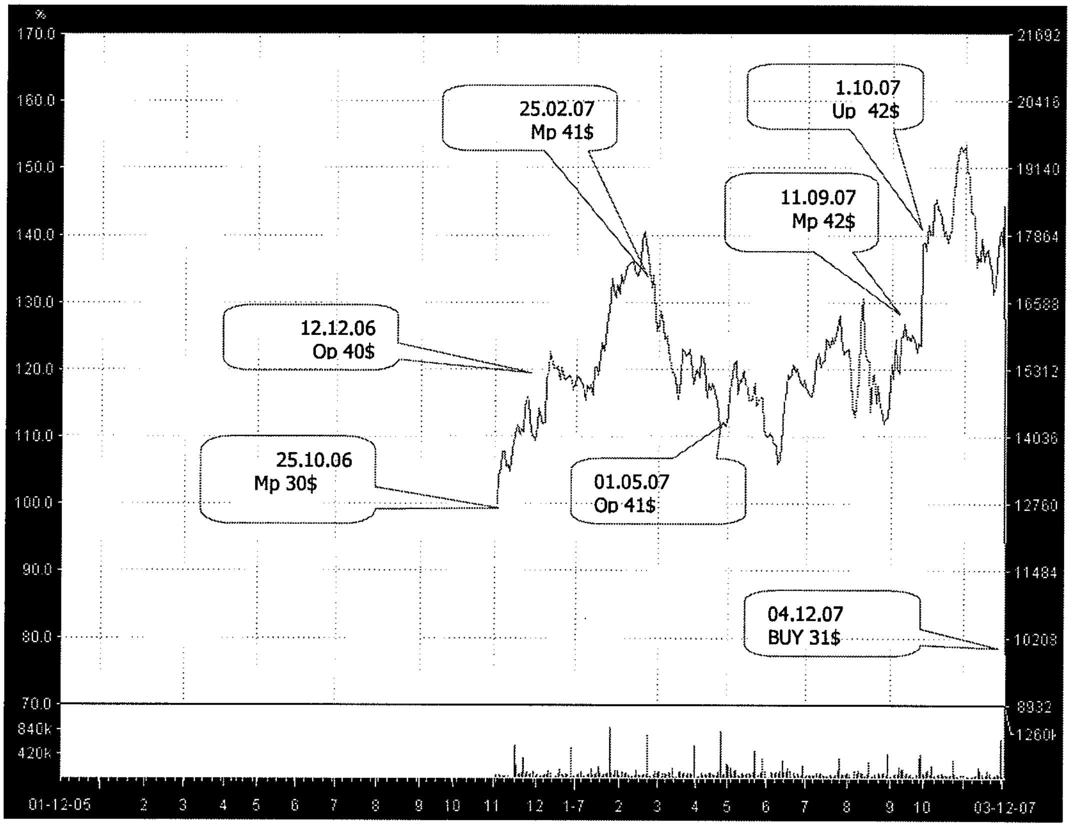
c. Notes on the analysis

1. Scale of recommendations
    - **Buy** – the stock is expected to out perform TA100 by 20% or more in 12 months.
    - **Outperform** - the stock is expected to out perform TA100 by 10% to 20% in 12 months.
    - **Marketperform** – the stock is expected to out perform/ under perform TA100 by 10 % in 12 months.
    - **Underperform** – the stock is expected to under perform TA100 by 10% to 20% in 12 months.
    - **Sell** – the stock is expected to under perform TA100 by 20% or more in 12 months.

2. The method of evaluating VeriFone and determining the target price was carried out using cash flow capitalization, together with P/E and P/B ratios as well as comparison with other shares in the sector.

3. The key risks which could significantly affect the target price of VeriFone:
    - Unexpected difficulties in integrating and/or creating synergy with Lipman or future acquisitions which are part of the company's strategic growth plan.
    - Risks associated with their dependency on external vendors; part of their production is dependent on sources outside the country.
    - The entry of First Data, which is today the most important VeriFone partner, to the production line of an additional line of terminals over and above the basic one they produce today, which may impact company sales.
    - Bashing the company-declared forecasts and increased expectations for 2008.

4. A graph of VeriFone's share and changes in recommendations. VeriFone was established in 2005, and therefore the graph shows a period shorter than three years. Target price for the share relates to a 12 months period from the recommendation date.



Note – the share's graph is adjusted to dividend distribution, while the recommendation is not retroactively adjusted for dividend distribution and relates to the state at the time of the recommendation.

d. Independent Judgment
I, Tsahi Avraham, License Number 7553, declare that the opinions stated in this analysis faithfully represent my personal opinions about the shares reviewed and the corporation which issued these shares.

Tsahi Avraham

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2. Publishing Date of this analysis – This document was published on Monday 1-10-07 and due a sharp increase in share price.

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